

Summary of Q&A at the 2020 Q3 Financial Results Briefing

Q) Given the demand for printers from people working from home, how do you see the P&S business for FY2021?

A) We are currently formulating our annual business plan for the next fiscal year and have not yet determined our projections, so we will explain major trends.

As for inkjet, we have been unable to proceed well with production this fiscal year, and have struggled with production. Next fiscal year, we will increase our production capacity by Q1 while maintaining social distancing, and are hoping to realize production at full capacity by the end of Q1.

Laser has reached a peak this year, and we project that this momentum will continue next year. We want to maximize sales. However, it is difficult to expand sales without spending on sales promotion expenses throughout the year. Depending on the inventory status and the competition environment, we will use sales promotion expenses flexibly and maximize our sales to maximize the number of machines in the field (MIF), which will lead to sales of consumables in the future.

Q) Please give an update on the print volume (PV) of laser printers in the SMB and SOHO segments respectively.

A) The following is an update on PV in comparison with the pre-COVID-19 levels:

SOHO: 70% in the first half of April; 85% at the end of July; 90% at the end of September.

SMB: 60% in the first half of April; 80% at the end of July; 85% at the end of September.

The most recent volume has not changed much from the level at the end of September in both the SOHO and SMB segments. We consider that PV remaining flat is a cause for concern.

Q) Will consumables in the P&S business continue to perform well in the next fiscal year?

A) In Q3, sales of consumables returned to approximately 95% of last year's level, but we project that they will not return to 100% in the next fiscal year. Unfortunately, consumables do not usually exceed the previous year's performance due to issues related to MIF and inroads being made by third parties. Accordingly, we forecast that sales of consumables for the next fiscal year will be on a par with or increase or decrease somewhat from this year's level, although we do not expect a significant drop.

Q) You project a decrease in profit from the P&S business in Q4. Please explain the

reasons for the decrease.

A) As effects from COVID-19 have continued this fiscal year, we have been unable to use expenses as we were doing in Q4 of the last fiscal year. Meanwhile, there was a special factor of last-minute demand for consumables in Q4 of the last fiscal year. If such a factor is excluded, the profit level in Q4 will be almost flat year-on-year.

Q) I would like to ask about the logistics situation. I have heard that in some cases, there is a shortage of containers and shipments are transported but they get stuck at ports. Please explain Brother's situation.

A) Globally there is a shortage of ships and containers, which are used for transporting products manufactured in factories. In addition, because an imbalance has occurred mainly in Europe and the U.S. and port functions have fallen considerably due to the impact of COVID-19, empty containers have not returned to production sites. Moreover, sea freight rates have gone up two- to three-fold. We have managed to collect containers and rotate the logistics cycle so at this point we are not in a situation where logistics significantly impacts business results.

Q) Regarding machine tools, how is the orders situation?

A) For machine tools, a noticeable recovery trend has been seen since Q3, and this is probably a global trend. Recovery in China, in particular, is remarkable. We believe this trend will continue for a while.

Q) How should we see the N&C business for FY2021?

A) The situation changes every three months, so we constantly monitor the operational status of karaoke clubs. At this point, despite the third wave and a possible fourth wave of COVID-19, we do not expect huge losses equivalent to those for this fiscal year to be recorded next fiscal year. We also respond to karaoke clubs by closing or recording impairment losses for unprofitable clubs. We will do whatever we can during this fiscal year so that we will be able to reduce the risk of incurring major losses in the next fiscal year as we did this year. We do not project the same sort of large losses as were recorded this year.

Q) Please explain the future continuity of special demand for home sewing machines in the P&H business.

A) At first, we considered such demand to be from people individually making masks due to a shortage of masks. However, sewing machines are still selling extremely well even after

nonwoven fabric masks have become easily available, so we rather regard this demand as stay-at-home demand. Even at this point, especially in Japan, we sometimes have to ask customers to wait for the machines. We think demand will fall gradually, but at this point, we forecast that it will remain strong at least until Q1 or Q2 of next fiscal year.

Q) Relatively large expenses are normally spent in Q4, but how have you incorporated expenses into the current plan compared to Q4 of usual years?

A) With regard to SG&A expenses, we will be unable to spend as large an amount of expenses this fiscal year as in usual years due in part to effects from COVID-19 so we have not incorporated a large amount in our Q4 outlook.

Q) I would like to ask about dividends. You said that actual results may deviate from the forecast announced this time, but what are factors that will cause an upward or downward deviation and what is the possibility of such a deviation?

A) We do not know specifically how much deviation may occur. We undertake impairment tests for the Domino and other businesses in Q4 every year.

We are currently formulating a plan for Domino. The market conditions, including the growth rate, have been adversely affected by COVID-19, and whether or not they will recover in the future cannot be fully determined from market data. Accordingly, at this point, we do not know how much impact the results of the impairment tests will have. If impairment losses are recorded, they will exert downward pressure.

Conversely, while the strong performance of the printing and other businesses has been reflected in our current forecast, these businesses may exceed or fall below our expectations. As for the karaoke business, although the state of emergency declaration is expected to be lifted in early March, the outlook for COVID-19, including its variants and the vaccination rate, is uncertain, and there is concern over its impact on karaoke clubs. With regard to karaoke clubs, impairment losses recognized at present may not be necessary or the recording of additional losses may be required. At this point, we cannot estimate how much our business results will exceed or fall below our forecasts.